

Tennessee Student Assistance Corporation

Wednesday, September 27th 2017

DECISION ITEM E

Use of the Operating Fund

Staff Recommendation

That the Operating Fund be allocated, in part, to the Tennessee Promise Scholarship Special Reserve, the Tennessee Reconnect program, and the division of Student and School Services. These transfers would occur in the current fiscal year.

Background

The current balance of the federal Operating Fund is approximately \$22 million.

Funds deposited into the Operating Fund are the property of the guaranty agency; however, federal code (20 USCA § 1072b(d)(1)) specifies allowable uses of the fund, which include: default aversion activities, default collection activities, school and lender training, financial aid awareness and related outreach activities, compliance monitoring, and other student financial aid related activities as selected by the guaranty agency.

The proposed transfers would 1) strengthen the Promise Scholarship Special Reserve; 2) support the marketing efforts, data collection and transfer, and College Success Program within Tennessee Reconnect; and 3) support the default management activities of the Student and School Services division.

A portion of the remaining funds are required for final FFELP-related closing expenses.

Transfers from the Operating Fund are authorized in the Public Acts of 2017, Chapter 460, Section 29, Item 24, as follows:

“In the fiscal year ending June 30, 2018, the Commissioner of Finance and Administration, upon recommendation of the Executive Director of TSAC, is authorized to make transfers from the TSAC operating fund...to the Tennessee Promise special reserve account...” “Expenditures from the TSAC operating fund may also be made for transitioning the FFELP portfolio to a new loan servicer, ongoing student loan default management activities, and other agency operating expenditures as approved by the TSAC board of directors.”